



AREA AGENCIES ON AGING ASSOCIATION OF MICHIGAN
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**TESTIMONY OF MARY ABLAN, EXECUTIVE DIRECTOR
ON BLUE CROSS MUTUALIZATION – SBs 1293 & 1294**

The Area Agencies on Aging Association of Michigan (AAAAM) represents the 16 AAAs in Michigan. Along with our partners the Michigan Office of Services to the Aging, and 1,200 local community-based agencies and businesses, we serve over a quarter of a million seniors and caregivers. Area Agencies on Aging (AAAs) are state-designated agencies, authorized in state and federal law, to maximize the independence and dignity of older Michigianians. The AAAAM has a long history of advocating on behalf of seniors for affordable health care. I am extremely concerned about the negative effects of Senate Bills 1293 and 1294, as they were introduced, on your older constituents.

1. These bills would eliminate millions of dollars now devoted to programs helping unpaid family members caring for vulnerable seniors with dementia and other serious disabilities. I am referring to Public Acts 171 and 172 of 1990, otherwise known as the **Blue Cross Escheats bills**. Blue Cross Escheats are now earmarked for these valuable programs that have helped to keep thousands of seniors in their own homes and out of costly institutions.
2. **The Bottom Line: We need these Caregiver programs to prevent costly institutionalization and are asking for language in the legislation to protect them. If the program is eliminated, thousands of seniors and caregivers throughout the state now receiving assistance would have to be terminated.**
3. BCBSM would be under no obligation to sell the guaranteed issue, community-rated and subsidized **Medigap Legacy policies Plans A and C**. While Commissioner Clinton testified that the negotiated rate freeze would continue, there is no language to that effect in either bill, and there are no guarantees that the policies would be continued after 4 years. It should be noted that Blue Cross has other Medigap products under Blue Care Network (MyBlue) but they are subject to underwriting standards and are not subsidized. Commissioner Clinton also testified that there are many other Medigap products and that is true, but there are no other products to my knowledge in Michigan that are have no pre-existing condition waiting period, are community-rated, and are available to people under 65. The Blue Cross Legacy policies stand alone in this regard.
4. Commissioner Clinton testified that there are other options for people on Medicare besides Medigap insurance, namely Medicare Advantage products. This is certainly the case, but the Medigap products are preferable in several aspects. Medigap offers better coverage than does Medicare Advantage if a senior needs health care, meaning fewer out-of-pocket costs. In addition, if a senior wants to have a choice of physicians and other providers, they must use original Medicare with a Medigap policy. Medicare Advantage products have limited networks of providers. Also, seniors who travel or spend time in other states cannot get

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coverage for their health care in those other locations, except for life or death emergencies – this means more out-of-pocket costs. It should also be noted that insurers can eliminate Medicare Advantage plans and are not required to offer them.

5. If BCBSM does continue to sell the Medigap Legacy policies, the now 1% of total premium senior subsidy would be lost resulting in a significant premium increase. Commissioner Clinton testified that the subsidy is \$150 - \$200 million. With approximately 200,000 Legacy customers, each is receiving a \$750 – \$1,000 subsidy annually. Seniors living on the financial edge will be forced to drop their Medigap coverage and rely on bare Medicare with its large out-of-pocket costs. Research shows that seniors without sufficient income will forego medical care & prescription drugs that they desperately need.

6. **The Bottom Line: We need the PA 350 language on Blue Cross Medigap Legacy plan to continue and not be repealed. Repeal would allow the policies to be terminated. And the end of the rate freeze would allow rate increases on the policies without Attorney General oversight. If repeal occurs with only the 4 year Medigap rate freeze as a protection, these are the harms suffered by your older constituents: seniors who want to stay with Blues Legacy will be forced to pay higher premiums and the loss of community rating; seniors who switch to a different Medigap company will face higher premiums, exclusions for pre-existing conditions and/or age rating; seniors switching to Medicare Advantage will face higher out-of-pocket costs when they need health care; seniors switching to Medicare Advantage will be forced to change doctors if their doctors are not in the network; and seniors switching to Medicare Advantage will not have coverage for health care when they travel or spend the winter in other states, except for life and death emergencies.**

7. In addition, your younger constituents on Medicare face a special danger from the elimination of Blue Cross Legacy. Younger people on Medicare do not enjoy the same guarantee issue protections as seniors do for Medigap products and are especially dependent on BCBSM Legacy for affordable Medigap insurance. Since these individuals qualify for Medicare by virtue of being disabled, they are considered bad risks. Most other insurance companies won't sell them Medigap and those that do are expensive. These individuals can count on the Blue Cross Legacy policies being available and affordable.
8. If BCBSM does continue to sell the Legacy policies, the Attorney General would play no role in reviewing rate increases. Attorney Generals of both parties have a long and distinguished history of protecting the interests of vulnerable low-income seniors in the rate-making process, including Attorney General Bill Schuette. I am not aware of the Insurance Commissioner ordering another company to reduce its Medigap premiums even once, but certainly OFIR is the expert on this point and can provide statistics on the number of times in the past year that this has occurred.

9. Public Act 350 requires Blue Cross to have a Senior Advisory Council to keep abreast of senior concerns given their special role in the Medicare supplemental market. Everything about health reform is built on a platform of consumer input and involvement – this is called the person-centered or patient-centered approach. We ask that the language for this Advisory Council be maintained.

In conclusion, please exercise all due diligence with this important issue, which will impact 70% of Michigan citizens. All rate requests do not take 18 months. There is time next year to address this issue and we need that time. As Community Health Director Jim Haveman says about health care reform, we want to “get this right, and do no harm.” I couldn’t agree more! Thank you for the opportunity to testify!